

# House Study Bill 121 - Introduced

HOUSE FILE \_\_\_\_\_

BY (PROPOSED COMMITTEE ON  
WAYS AND MEANS BILL BY  
CHAIRPERSON VANDER LINDEN)

## A BILL FOR

1 An Act relating to the technical administration of the tax  
2 laws by the department of revenue, including administration  
3 of the research activities credit, income taxes, and the  
4 flood mitigation program, and including effective date and  
5 retroactive applicability provisions.  
6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 15.335, subsection 7, paragraph b, Code  
2 2017, is amended to read as follows:

3 b. For purposes of [this section](#), “*Internal Revenue Code*”  
4 means the Internal Revenue Code of 1954, prior to the date of  
5 its redesignation as the Internal Revenue Code of 1986 by the  
6 Tax Reform Act of 1986, or means the Internal Revenue Code of  
7 1986 as amended and in effect on January 1, 2015 2016. This  
8 definition shall not be construed to include any amendment to  
9 the Internal Revenue Code enacted after the date specified  
10 in the preceding sentence, including any amendment with  
11 retroactive applicability or effectiveness.

12 Sec. 2. Section 418.15, subsection 1, paragraph a, Code  
13 2017, is amended to read as follows:

14 a. A governmental entity shall not receive remittances of  
15 sales tax revenue under [this chapter](#) after twenty years from  
16 the date the governmental entity’s project was approved by the  
17 board or after expiration of the additional period of years if  
18 approved under paragraph “b” unless the remittance amount is  
19 calculated under [section 418.11](#) based on sales subject to the  
20 tax under [section 432.2 423.2](#) occurring before the expiration  
21 of the twenty-year period or expiration of the additional  
22 period of years if approved under paragraph “b”.

23 Sec. 3. Section 422.3, subsection 5, Code 2017, is amended  
24 to read as follows:

25 5. “*Internal Revenue Code*” means the Internal Revenue Code  
26 of 1954, prior to the date of its redesignation as the Internal  
27 Revenue Code of 1986 by the Tax Reform Act of 1986, or means  
28 the Internal Revenue Code of 1986 as amended ~~to and including~~  
29 and in effect on January 1, 2015. This definition shall not be  
30 construed to include any amendment to the Internal Revenue Code  
31 enacted after the date specified in the preceding sentence,  
32 including any amendment with retroactive applicability or  
33 effectiveness.

34 Sec. 4. Section 422.5, subsection 2, paragraph a, Code 2017,  
35 is amended to read as follows:

1     a. There is imposed upon every resident and nonresident of  
2 this state, including estates and trusts, the greater of the  
3 tax determined in subsection 1, paragraphs "a" through "j", or  
4 the state alternative minimum tax equal to seventy-five percent  
5 of the maximum state individual income tax rate for the tax  
6 year, rounded to the nearest one-tenth of one percent, ~~of times~~  
7 the state alternative minimum taxable income of the taxpayer as  
8 computed under this subsection.

9     Sec. 5. Section 422.10, subsection 3, paragraph b, Code  
10 2017, is amended to read as follows:

11     b. For purposes of this section, "*Internal Revenue Code*"  
12 means the Internal Revenue Code of 1954, prior to the date of  
13 its redesignation as the Internal Revenue Code of 1986 by the  
14 Tax Reform Act of 1986, or means the Internal Revenue Code of  
15 1986 as amended and in effect on January 1, 2015 2016. This  
16 definition shall not be construed to include any amendment to  
17 the Internal Revenue Code enacted after the date specified  
18 in the preceding sentence, including any amendment with  
19 retroactive applicability or effectiveness.

20     Sec. 6. Section 422.11L, subsection 6, Code 2017, is amended  
21 to read as follows:

22     6. For purposes of this section, "*Internal Revenue Code*"  
23 means the Internal Revenue Code of 1954, prior to the date of  
24 its redesignation as the Internal Revenue Code of 1986 by the  
25 Tax Reform Act of 1986, or means the Internal Revenue Code of  
26 1986 as amended ~~to and including~~ and in effect on January 1,  
27 2016. This definition shall not be construed to include any  
28 amendment to the Internal Revenue Code enacted after the date  
29 specified in the preceding sentence, including any amendment  
30 with retroactive applicability or effectiveness.

31     Sec. 7. Section 422.13, subsection 1, paragraph d, Code  
32 2017, is amended to read as follows:

33     d. The total net income, as determined under section 422.5,  
34 subsection 3 or 3B, of a resident ~~or nonresident~~ of this state  
35 is more than the appropriate dollar amount listed in section

1 422.5, subsection 3 or 3B, upon which tax is not imposed.

2 Sec. 8. Section 422.32, subsection 1, paragraph h, Code  
3 2017, is amended to read as follows:

4 *h. "Internal Revenue Code"* means the Internal Revenue Code  
5 of 1954, prior to the date of its redesignation as the Internal  
6 Revenue Code of 1986 by the Tax Reform Act of 1986, or means  
7 the Internal Revenue Code of 1986 as amended ~~to and including~~  
8 and in effect on January 1, 2015. This definition shall not be  
9 construed to include any amendment to the Internal Revenue Code  
10 enacted after the date specified in the preceding sentence,  
11 including any amendment with retroactive applicability or  
12 effectiveness.

13 Sec. 9. Section 422.33, subsection 2, paragraph a,  
14 subparagraph (1), subparagraph division (c), Code 2017, is  
15 amended to read as follows:

16 (c) Nonbusiness rents and royalties received from tangible  
17 personal property are allocable to this state to the extent  
18 that the property is utilized in this state; or in their  
19 entirety if the taxpayer's commercial domicile is in this state  
20 and the taxpayer is not taxable in the state in which the  
21 property is utilized. The extent of utilization of tangible  
22 personal property in a state is determined by multiplying the  
23 rents and royalties by a fraction, the numerator of which is  
24 the number of days of physical location of the property in the  
25 state during the rental or royalty period in the taxable year  
26 and the denominator of which is the number of days of physical  
27 location of the property everywhere during all rental or  
28 royalty periods in the taxable year. If the physical location  
29 of the property during the rental or royalty period is unknown,  
30 or unascertainable by the taxpayer, tangible personal property  
31 is utilized in the state in which the property was located at  
32 the time the rental or royalty payor obtained possession.

33 Sec. 10. Section 422.33, subsection 5, paragraph e,  
34 subparagraph (2), Code 2017, is amended to read as follows:

35 (2) For purposes of **this subsection**, *"Internal Revenue*

1 *Code* means the Internal Revenue Code of 1954, prior to the  
2 date of its redesignation as the Internal Revenue Code of 1986  
3 by the Tax Reform Act of 1986, or means the Internal Revenue  
4 Code of 1986 as amended and in effect on January 1, 2015  
5 2016. This definition shall not be construed to include any  
6 amendment to the Internal Revenue Code enacted after the date  
7 specified in the preceding sentence, including any amendment  
8 with retroactive applicability or effectiveness.

9 Sec. 11. 2016 Iowa Acts, chapter 1007, section 3, subsection  
10 1, is amended to read as follows:

11 1. Notwithstanding section 1 of this Act, or any other  
12 provision of law to the contrary, the additional first-year  
13 depreciation allowance authorized in section 168(k) of the  
14 Internal Revenue Code, as enacted by Pub. L. No. 114-113, §143,  
15 does not apply in computing net income for state tax purposes  
16 for tax years ending on or after January 1, 2015, ~~but before~~  
17 ~~January 1, 2016~~. If the taxpayer has taken the additional  
18 first-year depreciation allowance for purposes of computing  
19 federal adjusted gross income or federal taxable income, as  
20 the case may be, then the taxpayer, when computing net income  
21 for purposes of the individual income tax under [section 422.7](#)  
22 or the corporation income tax or franchise tax under section  
23 422.35, shall make the adjustments described in section 422.7,  
24 subsection 39A, paragraphs "a" through "c", Code 2016, or  
25 described in [section 422.35, subsection 19A](#), paragraphs "a"  
26 through "c", Code 2016, as applicable.

27 Sec. 12. EFFECTIVE UPON ENACTMENT. The following  
28 provision or provisions of this Act, being deemed of immediate  
29 importance, take effect upon enactment:

30 1. The section of this Act amending 2016 Iowa Acts, chapter  
31 1007, section 3, subsection 1.

32 2. The provisions amending the date reference from "January  
33 1, 2015" to "January 1, 2016" in the sections of this Act  
34 amending section 15.335, subsection 7, paragraph "b", section  
35 422.10, subsection 3, paragraph "b", and section 422.33,

1 subsection 5, paragraph "e", subparagraph (2), relating to the  
2 definition of "Internal Revenue Code" for purposes of the Iowa  
3 research activities credits.

4 Sec. 13. RETROACTIVE APPLICABILITY. The following  
5 provision or provisions of this division of this Act apply  
6 retroactively to January 1, 2015:

7 1. The section of this division of this Act amending 2016  
8 Iowa Acts, chapter 1007, section 3, subsection 1.

9 Sec. 14. RETROACTIVE APPLICABILITY. The following  
10 provision or provisions of this Act apply retroactively to  
11 January 1, 2016, for tax years beginning on or after that date:

12 1. The provisions amending the date reference from "January  
13 1, 2015" to "January 1, 2016" in the sections of this Act  
14 amending section 15.335, subsection 7, paragraph "b", section  
15 422.10, subsection 3, paragraph "b", and section 422.33,  
16 subsection 5, paragraph "e", subparagraph (2), relating to the  
17 definition of "Internal Revenue Code" for purposes of the Iowa  
18 research activities credits.

19 EXPLANATION

20 The inclusion of this explanation does not constitute agreement with  
21 the explanation's substance by the members of the general assembly.

22 This bill relates to the technical administration of the tax  
23 laws by the department of revenue, including the administration  
24 of the research activities credit, income taxes, and the flood  
25 mitigation program.

26 Under current law, for purposes of the state research  
27 activities credit for individuals (Code section 422.10),  
28 corporations (Code section 422.33(5), and corporations  
29 participating in certain economic development programs (Code  
30 section 15.335), references to the Internal Revenue Code (IRC)  
31 are to the IRC in effect on January 1, 2015. The bill changes  
32 the date reference in these provisions to January 1, 2016, thus  
33 making federal changes, if any, enacted during 2015 to the IRC  
34 provisions referenced in those Code sections governing the  
35 state research activities credits applicable for purposes of

1 the state credits. These provisions take effect upon enactment  
2 and apply retroactively to January 1, 2016, for tax years  
3 beginning on or after that date.

4 The bill also amends all the definitions of IRC in Code  
5 chapter 422 (individual income, corporate, and franchise  
6 taxes), and the definition of IRC in Code section 15.335 (state  
7 research activities credit for corporations participating  
8 in certain economic development programs) so that the  
9 language in those definitions is the same, excluding the  
10 IRC date references, and further adds language to specify  
11 that the definitions shall not be construed to include any  
12 amendment to the IRC enacted after the date specified in that  
13 particular definition, including any amendment with retroactive  
14 applicability or effectiveness.

15 The bill amends Code section 418.15(1)(a), relating to the  
16 remittance of state sales tax revenues to local governments  
17 under the flood mitigation program, to properly cite to the  
18 state sales tax imposed under Code section 423.2.

19 The bill strikes a comma and adds a comma in Code section  
20 422.33(2)(a)(1)(c), relating to the allocation between states  
21 of certain nonbusiness rents and royalties under the corporate  
22 income tax, to specify that when that provision references the  
23 location of certain property being unknown, it is referring to  
24 the taxpayer's knowledge of the property's location.

25 The bill amends 2016 Iowa Acts, chapter 1007, section  
26 3, subsection 1, relating to the disallowance of bonus  
27 depreciation under section 168(k) of the IRC for the 2015 tax  
28 year, to specify that the disallowance applies to tax years  
29 ending on or after January 1, 2015, not those ending on or  
30 after that date but before January 1, 2016. This provision  
31 takes effect upon enactment and applies retroactively to  
32 January 1, 2015.

33 The bill amends Code section 422.5(2)(a), relating to the  
34 calculation of the individual alternative minimum tax, to  
35 specify that the tax calculation is accomplished by multiplying

1 the applicable tax rate times the state alternative minimum  
2 taxable income of the taxpayer.

3     The bill strikes a reference to "nonresident" in Code  
4 section 422.13(1)(d), relating to the requirement to file  
5 an income tax return if a taxpayer's total income exceeds  
6 the applicable dollar threshold set forth in Code section  
7 422.5, because pursuant to Code section 422.13(1)(b), a  
8 nonresident is only required to file an income tax return if  
9 the nonresident's income allocated to Iowa is \$1,000 or more  
10 and if the nonresident's total income exceeds the applicable  
11 dollar threshold set forth in Code section 422.5.